

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY

FINANCIAL STATEMENTS

MARCH 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Village of Burr Oak</u>	County <u>St. Joseph</u>
Audit Date <u>March 31, 2006</u>	Opinion Date <u>July 27, 2006</u>	Date Accountant Report Submitted to State: <u>July 18, 2006</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1932, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <u>David F. Loney, CPA, PC</u>			
Street Address <u>67030 N.M. 66</u>	City <u>Sturgis</u>	State <u>MI</u>	ZIP <u>49091</u>
Accountant Signature <u>David Loney</u>			

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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Burr Oak
Burr Oak, Michigan

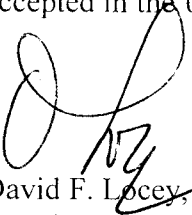
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Burr Oak, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Village of Burr Oak, Michigan, as of March 31, 2006, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



David F. Lacey, CPA, PC
Sturgis, Michigan
July 27, 2006

Village of Burr Oak - St. Joseph County
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2006

	Governmental Fund Types		Proprietary Fund Types	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Water and Sewer	General Fixed Assets	Reporting Entity
<u>ASSETS</u>					
Cash & cash equivalents	\$305,306	\$243,101	\$714,273	\$0	\$1,262,680
Receivables					
Taxes/services	9,602	5,490	15,459	0	30,551
Due from state	18,016	13,144	0	0	31,160
Due from other funds	404,788	181,696	12,794	0	599,278
Deferred charges	18,503	6,886	4,818	0	30,207
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	1,561,532	639,305	2,200,837
Total Assets	<u>\$756,215</u>	<u>\$450,317</u>	<u>\$2,308,876</u>	<u>\$639,305</u>	<u>\$4,154,713</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts payable - payroll	\$10,601	\$520	\$4,372	\$0	\$15,493
Accrued liabilities	7,096	0	11,582	0	18,678
Due to other funds	173,952	78,813	346,513	0	599,278
Other liabilities - bonds	0	0	1,657,000	0	1,657,000
Total Liabilities	<u>191,649</u>	<u>79,333</u>	<u>2,019,467</u>	<u>0</u>	<u>2,290,449</u>
Fund Equity					
Investment in Fixed Assets	0	0	0	639,305	639,305
Contributed Capital	0	0	2,778,696	0	2,778,696
Retained earnings	0	0	0	0	0
Reserved	0	0	0	0	0
Unreserved			(2,489,287)	0	(2,489,287)
Fund Balances					
Unreserved -- Undesignated	564,566	370,984	0	0	935,550
Total Fund Equity	<u>564,566</u>	<u>370,984</u>	<u>289,409</u>	<u>639,305</u>	<u>1,864,264</u>
Total Liabilities and Fund Equity	<u>\$756,215</u>	<u>\$450,317</u>	<u>\$2,308,876</u>	<u>\$639,305</u>	<u>\$4,154,713</u>

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All
Governmental Fund Types
For the Year Ended March 31, 2006

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes and Penalties	\$119,223	\$22,739	\$141,962
Licenses and Permits	3,895	0	3,895
State Grants	104,593	71,705	176,298
Fines and Forfeits	81	0	81
Interest and Rentals	15,438	3,377	18,815
Other Revenue	1,144	31,887	33,031
Total Revenues	244,374	129,708	374,082
Expenditures			
Current			
Legislative	6,174	0	6,174
General Government	68,852	0	68,852
Public Safety	85,042	38,371	123,413
Public Works	18,333	93,588	111,921
Recreation and Cultural	13,182	0	13,182
Total Expenditures	191,583	131,959	323,542
Excess of Revenues Over (Under) Expenditures	52,791	(2,251)	50,540
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	52,791	(2,251)	50,540
Prior Period Adjustment	391	0	391
Fund Balance - Beginning of the Year	511,384	376,873	888,257
Fund Balance - End of the Year	\$564,566	\$374,622	\$939,188

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual
General Fund and Special Revenue Funds
For the Year Ended March 31, 2006

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes and Penalties	\$109,212	\$119,223	\$10,011
Licenses and Permits	3,936	3,895	(41)
State Grants	101,004	104,593	3,589
Fines and Forfeits	300	81	(219)
Interest and Rentals	14,496	15,438	942
Other Revenue	3,204	1,144	(2,060)
Total Revenues	232,152	244,374	12,222
Expenditures			
Current			
Legislative	6,744	6,174	(570)
General Government	87,572	68,852	(18,720)
Public Safety	136,708	85,042	(51,666)
Public Works	16,500	18,333	1,833
Recreation and Cultural	14,760	13,182	(1,578)
Total Expenditures	262,284	191,583	(70,701)
Excess of Revenues Over (Under) Expenditures	(30,132)	52,791	82,923
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(30,132)	52,791	82,923
Prior Period Adjustment	391	391	0
Fund Balance - Beginning of the Year	511,384	511,384	0
Fund Balance - End of the Year	\$481,643	\$564,566	\$82,923

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue Funds			Total (Memorandum Only)		
			Reporting Entity		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$19,940	\$22,739	\$2,799	\$129,152	\$141,962	\$12,810
0	0	0	3,936	3,895	(41)
68,280	71,705	3,425	169,284	176,298	7,014
0	0	0	300	81	(219)
852	3,377	2,525	15,348	18,815	3,467
59,328	31,887	(27,441)	62,532	33,031	(29,501)
148,400	129,708	(18,692)	380,552	374,082	(6,470)
0	0	0	6,744	6,174	(570)
0	0	0	87,572	68,852	(18,720)
	38,371	38,371	136,708	123,413	(13,295)
146,208	93,588	(52,620)	162,708	111,921	(50,787)
0	0	0	14,760	13,182	(1,578)
146,208	131,959	(14,249)	408,492	323,542	(84,950)
2,192	(2,251)	(4,443)	(27,940)	50,540	78,480
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,192	(2,251)	(4,443)	(27,940)	50,540	78,480
0	0	0	391	391	0
376,873	376,873	0	888,257	888,257	0
<u>\$379,065</u>	<u>\$374,622</u>	<u>(\$4,443)</u>	<u>\$860,708</u>	<u>\$939,188</u>	<u>\$78,480</u>

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Types
For the Year Ended March 31, 2006

	Proprietary Fund Types		Total (Memorandum Only) Reporting Entity
	Water	Sewer	
Operating Revenues			
Interest Income	\$5,637	\$8,712	\$14,349
Charges for Services	101,188	165,267	266,455
Total Operating Revenues	106,825	173,979	280,804
Operating Expenses			
Administration	7,964	7,964	15,928
Salaries and wages	12,899	12,341	25,240
Fringe benefits	5,584	4,278	9,862
Contractual services	0	78,646	78,646
Miscellaneous	39,189	22,129	61,318
Depreciation	47,900	212,783	260,683
Total Operating Expenses	113,536	338,141	451,677
Operating Income	(6,711)	(164,162)	(170,873)
Nonoperating Revenues			
Interest Expense	0	36,890	36,890
Net Income	(6,711)	(201,052)	(207,763)
Prior Period Adjustment	24,013	0	24,013
Retained Earnings/Fund Balance-Beginning of Year	178,576	(2,484,113)	(2,305,537)
Retained Earnings/Fund Balance - End of the Year	\$195,878	(\$2,685,165)	(\$2,489,287)

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Combined Statement of Cash Flows - - All Proprietary Fund Types
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended March 31, 2006

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
Cash Flows From Operating Activities			
Cash Charges for Services	\$101,323	\$166,777	\$268,100
Cash Payments to Employees for Services and Cash Payments to Suppliers for Goods and Services	(54,615)	(162,812)	0 (217,427)
Net Cash Provided by Operating Activities	46,708	3,965	50,673
Cash Flows From Noncapital Financing Activities			
Transfers In	(12,811)	(34,036)	(46,847)
Transfers (Out)	0	0	0
Net Cash Provided by Noncapital Financing Activities	(12,811)	(34,036)	(46,847)
Cash Flows From Capital and Related Financing Activities			
Payment of Principal - Expense	173,950	(11,000)	162,950
Net Cash Provided by Capital and Related Financing Activities	173,950	(11,000)	162,950
Cash Flows From Investing Activities			
Interest on Cash Equivalents	6,228	8,712	14,940
Net Cash Provided by Investing Activities	6,228	8,712	14,940
Net Increase in Cash and Cash Equivalents	214,075	(32,359)	181,716
Cash and Cash Equivalents at Beginning of the Year	161,716	370,841	532,557
Cash and Cash Equivalents at End of the Year	\$375,791	\$338,482	\$714,273

Combined Statement of Cash Flows -- All Proprietary Fund Types
Increase (Decrease) in Cash and Cash Equivalents (Continued)

	Water	Sewer	Total (Memorandum Only)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$41,189	(\$201,052)	(\$159,863)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation		212,783	212,783
Decrease (Increase) in Accounts Receivable	(148)	1,510	1,362
Decrease (Increase) in Nonoperating Income	6,228		6,228
Increase (Decrease) in Accounts Payable		(564)	(564)
Increase (Decrease) in Other Accrued Expense	(561)		(561)
Increase (Decrease) in Nonoperating Income		(8,712)	(8,712)
Net Cash Provided by Operating Activities	<u>\$46,708</u>	<u>\$3,965</u>	<u>\$50,673</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Village of Burr Oak is located in St. Joseph County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement #14 "The Financial Reporting Entity". The Village of Burr Oak, Michigan operates under a council form of government. The accompanying financial statements present the Village's primary government and component units (none) over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village of Burr Oak.

The major operations of the Village include water, sewer, fire protection, street department, and general administrative services.

Criteria - primary vs. component unit (none)
Oversight Responsibilities

- A. Financial interdependency - responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

BASIS OF PRESENTATION

FUND ACCOUNTING

The accounts of the Village of Burr Oak are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

The funds are grouped into two fund types and eight generic funds as described below:

GOVERNMENTAL FUND TYPES

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - The Village of Burr Oak has four Special Revenue Funds, the Major Street Fund, the Local Street Fund, the Municipal Street Fund, and the Fire Fund. These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trust, or major capital projects that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - The Village of Burr Oak has two enterprise funds, the Water Fund and the Sewer Fund. These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of provided goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GENERAL FIXED ASSETS ACCOUNT GROUP

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

BASIS OF ACCOUNTING

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available), within sixty days.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

BUDETARY DATA

Formal budgetary accounting is employed as a management control for all funds of the Village. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenue Funds, and Proprietary Funds and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, council adopted fiscal year 3/06 budget in 3/05.

Village Board amended various budget items from originally adopted amounts, approved in minutes of the meetings. Budgeted data is in total, not a line item basis, under this method certain line items may exceed budgeted amount but not in total.

ASSETS, LIABILITIES, AND FUND EQUITY

Cash - Some funds have established their own checking accounts. To facilitate better management of the Village's cash resources, some cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

Depreciation is recorded over the useful life of assets -

Sewer Fund 10 - 40 years

Water Fund 20 years

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Fund equity - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each July 1 on the state equalized valuation of property located in the Village of Burr Oak as of the preceding December 31. These amounts are recognized in the respective general fund and special revenue fund financial statements as taxes receivables or current tax collection.

TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Village are at one bank in the name Village of Burr Oak. Michigan Compiled Laws (MCL), Sections 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	<u>Primary Government</u>
<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$100,000
Uninsured	<u>1,162,680</u>
Total Deposits	<u><u>\$1,262,680</u></u>

All investments(money market accounts) with maturates of 90 days or less are considered a cash equivalent.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Land	\$25,008	\$0	\$0	\$25,008
Buildings	103,267	0	0	103,267
Improvements other than Buildings				
Equipment	501,884	9,146	0	511,030
Total	<u>\$630,159</u>	<u>\$9,146</u>	<u>\$0</u>	<u>\$639,305</u>

DEPRECIABLE ASSETS - PROPRIETARY FUND

	Cost	Acc. Deprec.	Undeprec. Cost
Sewer Fund	\$3,545,795	\$2,894,363	\$651,432
Water Fund	1,085,660	175,560	910,100
	<u>\$4,631,455</u>	<u>\$3,069,923</u>	<u>\$1,561,532</u>

Current year depreciation changes were \$260,683.

BONDS PAYABLE - NOTES PAYABLE - SEWER FUND

BOND INDENTURE

Farmers Home Administration - Sewer fund is covered by a bond debt for infrastructure and equipment, current balance as of March 31, 2006 is \$699,000, \$12,000 is due within one year plus interest semi annually on March 1 and September 1. Original balance was \$797,000.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Bonded Indebtedness
For the Year Ended March 31, 2006

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	87,000
Bonds due and paid on September 1, 2005	<u>11,000</u>
Balance outstanding - March 31, 2006	<u><u>\$699,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2006	12,000	2019	23,000
2007	12,000	2020	24,000
2008	13,000	2021	25,000
2009	14,000	2022	27,000
2010	14,000	2023	28,000
2011	15,000	2024	30,000
2012	16,000	2025	31,000
2013	17,000	2026	33,000
2014	18,000	2027	35,000
2015	19,000	2028	36,000
2016	20,000	2029	37,000
2017	21,000	2030	39,000
2018	22,000	2031	39,000
		2032	39,000
		2033	<u>40,000</u>
			<u><u>\$699,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2005, accrued interest to the date fixed for prepayment.

The sewer fund's resources are the source of funds to repay the long-term debt of the bonds.

Village of Burr Oak - St. Joseph County
Water Fund
Statement of Bonded Indebtedness
For the Year Ended March 31, 2006

Water Fund - Construction

Bonds payable as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2006	18,000	2026	45,000
2007	20,000	2027	47,000
2008	20,000	2028	49,000
2009	22,000	2029	52,000
2010	23,000	2030	53,000
2011	24,000	2031	57,000
2012	25,000	2032	59,000
2013	26,000	2033	61,000
2014	27,000	2034	63,000
2015	28,000	2035	66,000
2016	29,000	2036	69,000
2017	30,000	2037	71,000
2018	31,000	2038	75,000
2019	33,000	2039	80,000
2020	35,000	2040	83,000
2021	37,000	2041	85,000
2022	37,000	2042	90,000
2023	40,000	2043	93,000
2024	41,000	2044	97,000
2025	43,000	2045	101,000
			<u>\$1,985,000</u>

The Village has undertaken a water improvement project, expected to cost \$3,845,000 of which \$1,985,000 will be funded by bonds and the balance in the form of a grant.

As of March 31, 2006 \$958,000 of the bond indebtedness has been drawn against construction costs. Semiannual payments on May 1 and November 1 are due with interest and principal per the schedule above. Interest on indebtedness is 4.125%.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

SEGMENT INFORMATION FOR PROPRIETARY FUNDS

Village operates a municipal water department and a sewer operation also.

Water department bills local businesses and residences on a monthly basis, depreciation is on a straight line basis of 10 to 40 years depending on type of asset. The Village has operational sewer infrastructure, they do not have a treatment plant, it is piped into Sturgis, Michigan.

The Village maintains two proprietary funds which provide water and sewer services. Segment information for the year ended March 31, 2006 was as follows:

	Water	Sewer	Total Proprietary Funds
Operating Revenues (Deficit)	\$41,189	\$11,731	\$52,920
Depreciation	47,900	212,783	260,683
Operating Income (Loss)	(6,711)	(201,052)	(207,763)
Operating Grants	0	0	0
Operating Transfers			
In	0	0	0
Out	0	0	0
Tax Revenue	0	0	0
Net Income (Loss)	(6,711)	(201,052)	(207,763)
Current Capital			
Contributions	0	0	0
Transfers	0	0	0
Proprietary, Plant and Equipment			
Additions	0	0	0
Deletions	0	0	0
Net Working Capital	236,148	118,729	354,877
Total Assets	1,297,935	1,010,941	2,308,876
Bonds and Other Long Term Liabilities	958,000	699,000	1,657,000
Payable from Operation Revenues	958,000	699,000	1,657,000
Payable From Other Services	0	0	0
Total Equity	<u>\$206,248</u>	<u>\$83,161</u>	<u>\$289,409</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions between various governmental, special revenue and proprietary fund types occur during the fiscal year.

Principally, these transactions arise from operating subsidies. Transactions that have not resulted in the actual transfer of cash as of the end of the fiscal year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Municipal Street	\$14,415	\$19,794
Sewer	226,942	8,247
Fire	45,447	0
Water	116,063	0
Local Street	2,580	0
Major Street	0	144,489
Major Street Fund		
General	144,489	0
Local		
Municipal		
Local Street Fund		
General	0	2,580
Major		
Municipal		
Municipal Street Fund		
General	22,404	17,025
Local		
Major		
Water Fund		
General	4,945	121,008
Sewer Fund		
General	7,847	226,542
Fire Fund		
General	14,417	59,864
	<u>\$599,549</u>	<u>\$599,549</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

POST EMPLOYMENT BENEFITS - No benefits are available

DEFINED CONTRIBUTION PLAN

Effective Date: July 1, 1991, with an anniversary of March 31 of each year.

Eligibility: Any employee or independent contractor, of the village, who earns more than \$100 per calendar year.

Employee/Contractor Contributions: An employee/contractor may enter into the program by agreeing to contribute from 4.03% of their compensation to 25% of their compensation (the maximum shall be reduced by any contribution made by the Village). The employees contribution shall be effective, the first of the month, following such election. The election may be changed, on the first of any month, by filing the appropriate form, with the Village Clerk, prior to the month the effects shall take place.

Village Contribution: The Village will contribute, for each employee that is not covered by the Village's 218 (Social Security) agreement, 3.75% of pay. The effect of the employee's and Village's contribution is to satisfy the required 7 1/2% of total compensation retirement contribution necessary to meet the Social Security OAS & D 'substitute' requirements. Employees who are covered by Social Security will not receive any Village contributions.

Vesting: All Monies contributed by the employee/contractor and Village contributions will be 100% vested at all times.

Funding: All employee and Village contributions (except de minimus amounts) shall be paid into a variable annuity contract, issued by Northwestern Mutual Life Insurance Company. Payments shall be made quarterly providing a minimum of \$25 deposit (employee and Village combined). DeMinimus Amounts: If the total contributions by employee and village are less than \$25 per year, such amounts will be accumulated, at the Village, and paid without interest upon the employees payment commencement date.

Payment Commencement Date: The employee may have the annuity contract begin benefit payments upon the later of the following:

1. separation of employment (or contractual agreement) with the Village
2. retirement (no later than age 70)
3. death
4. unforeseen financial emergency

Methods of Payments: The employee or beneficiary may elect any of the following distribution payments:

1. equal payments for life
2. equal payments for a specified period of time (5 years, 10 years, etc.)
3. equal payments over the employee's life and the life of a spouse or contingent annuitant.
4. lump-sum (if monies are withdrawn before eight years or not on account of the death of the employee/contractor a reducing surrender charge will be made)

DEFICIT RETAINED EARNINGS OF INDIVIDUAL FUNDS

Sewer Fund	(\$2,685,165)
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VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has participated in the Michigan Participating Plan since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The MTTP was created pursuant to the authority of a) Article 7, section 28, Michigan Constitution of 1963; b) Section 1 Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Village voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

Michigan Village Participating Plan Description

The Michigan Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTTP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event of reinsurance becomes uncollectible by purchasing reinsurance treaties for uncollectible reinsurer. The Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTTP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

<u>Case Loss Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
\$313,550	\$31,252	\$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The Plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

COMMITMENTS AND CONTINGENCIES

Management of the Village is not aware of any material commitments or contingent liabilities.

COMPENSATED ABSENCE

Vacation, sick leave, and other compensated absences - The Village of Burr Oak has no carry over vacation, sick pay, or compensated absences at the end of the current fiscal year. All compensated absences must be used during the fiscal year earned or they are lost.

GASB 34 REPORTING FINANCIAL

Village has elected not to convert to GASB 34 format, therefore assets owned by the Village such as building and equipment are not stated at current values as of 03/31/06, also no current charge is being recorded for current year depreciation, other than in the proprietary funds. Accordingly the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Village of Burr Oak - St. Joseph County
General Fund
Balance Sheet
March 31, 2006

ASSETS

Cash & cash equivalents	\$305,306
State revenue receivable	18,016
Taxes - miscellaneous receivable	9,602
Due from other funds	404,788
Prepaid insurance	18,503
	<hr/>
Total Assets	<u>\$756,215</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$10,601
Due to State-Federal taxes	7,096
Due to other funds	173,952
	<hr/>
Total Liabilities	191,649
Fund Balance	564,566
	<hr/>
Total Liabilities and Fund Balance	<u>\$756,215</u>

Village of Burr Oak - St. Joseph County
General Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2006

	Budget	Actual	Over (Under) Budget
Revenues			
Property tax/county 1 mill	\$109,212	\$119,223	\$10,011
Penalties and interest on taxes	0	0	0
Licenses and permits	3,936	3,895	(41)
State shared revenues	101,004	104,593	3,589
Charges for services	0	0	0
Fines and forfeits	300	81	(219)
Building and equipment rental	12,000	10,400	(1,600)
Reimbursement of expenses	2,702	0	(2,702)
Interest earned	2,496	5,038	2,542
Miscellaneous	502	1,144	642
Total Revenues	232,152	244,374	12,222
Expenditures			
Legislative	6,744	6,174	(570)
Executive	7,240	14,730	7,490
Elections	0	0	0
Financial administration	11,400	15,650	4,250
Other general government	38,148	8,553	(29,595)
Police Department	64,380	36,360	(28,020)
Inspection	516	0	(516)
Highways, streets, bridges	16,500	18,333	1,833
Sanitation/DPW	36,820	38,071	1,251
Leaf pick-up	4,740	4,361	(379)
Cultural	5,004	6,250	1,246
Recreation	9,756	6,932	(2,824)
Contributions to other units	30,252	6,250	(24,002)
Other functions	30,784	29,919	(865)
Total Expenditures	262,284	191,583	(70,701)
Excess of Revenues Over (Under) Expenditures	(30,132)	52,791	82,923
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(\$30,132)	\$52,791	\$82,923

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
General Fund
Statement of Expenditures

	Years Ended March 31,	
	2006	2005
LEGISLATIVE		
Village Council - salaries	\$6,174	\$4,596
Total Legislative	6,174	4,596
EXECUTIVE		
Village President - salary	1,050	996
Capital outlay	4,883	0
Travel/dues/supplies	833	850
Administrative payroll	7,964	8,110
Total Executive	14,730	9,956
ELECTIONS		
Election expense:		
Wages	0	0
Printing and publishing	0	0
Auto expense/postage/miscellaneous	0	0
Board of canvassers	0	0
Total Elections	0	0
FINANCIAL ADMINISTRATION		
General village expenses:		
Postage and freight	0	0
Office supplies	1,172	1,457
Printing and publishing	0	0
Travel/miscellaneous	3,597	0
Capital Equipment	3,012	0
Professional services	0	0
Telephone	1,238	1,294
Total General Administration	9,019	2,751
Clerk:		
Salary	950	948
Office supplies	48	0
Printing	0	0
Professional/miscellaneous	3,174	1,718
Total Clerk	4,172	2,666

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2006	2005
FINANCIAL ADMINISTRATION - Continued		
Treasurer:		
Salary	850	852
Postage/telephone/data processing	1560	576
Auto expense	22	31
Miscellaneous	27	24
Total Treasurer	2,459	1,483
Total Financial Administration	15,650	6,900
OTHER GENERAL GOVERNMENT		
Village Hall and grounds:		
Salaries	867	1,241
Electricity	679	793
Heat	3,136	2,558
Insurance	105	60
New equipment/improvements	0	1,108
Supplies	209	108
Miscellaneous	1,841	1,136
Repairs and maintenance	1,716	2,335
Total Other General Government	8,553	9,339
POLICE DEPARTMENT		
General operating expenses:		
Salaries - wages	15,115	16,219
Supplies	689	777
Repairs and maintenance	373	59
Communications	839	809
Auto expenses	1,489	3,282
Insurance and bonds	4,730	4,260
Postage/uniforms/miscellaneous	11,094	3,944
New equipment	0	0
Dues	875	306
Employer's benefits	1,156	1,564
Total Police Department	36,360	31,220

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2006	2005
INSPECTION		
Building - contractual services	0	0
Flood control:		
Salaries	0	47
Supplies	0	0
Total Inspection	0	47
HIGHWAY, STREETS AND BRIDGES		
Street lighting	18,333	17,595
Total Highway, Streets and Bridges	18,333	17,595
SANITATION DEPARTMENT OF PUBLIC WORKS		
Salaries	14,017	15,493
Rental/miscellaneous	5,208	5,657
Supplies/uniforms/gas/repairs	4,764	2,135
Utilities/insurance	9,706	10,565
Capital Outlay	4,376	8,655
Total Sanitation	38,071	42,505
LEAF PICK-UP		
General operating expenses:		
Salaries	3,494	2,866
Supplies	867	1,133
Capital Outlay	0	0
Total Mosquito Control - Weed Control	4,361	3,999
CULTURAL		
Contribution to Village of Burr Oak		
Library Board	6,250	3,750
Total Cultural	6,250	3,750
RECREATION		
General operating expenses:		
Salaries	2,476	2,300
Operating supplies - miscellaneous	2,612	1,895
Repairs and maintenance	842	467
Equipment - capital improvements	1,002	9,004
Total Recreation	6,932	13,666

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2006	2005
CONTRIBUTIONS TO OTHER UNITS		
Fire	6,250	20,488
Total Contributions to Other Funds	6,250	20,488
OTHER FUNCTIONS		
General operating expenses:		
Legal	3,600	738
Miscellaneous	10,159	7,687
Data processing/tax roll and statements	1,486	650
Sidewalks	0	2,596
Employees' hospitalization insurance	2,645	2,009
Audit fees	945	480
Insurance and bonds	6,797	6,158
Promotional	0	0
Social security - Village share	4,287	9,346
Total Other Functions	29,919	29,664
Total General Fund Expenditures	\$191,583	\$193,725

Village of Burr Oak - St. Joseph County
General Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2006	2005
BALANCE - BEGINNING	\$511,384	\$465,008
Prior Period Adjustment	391	1,913
Add: Excess of revenues over expenditures	52,791	44,463
BALANCE - ENDING	<u>\$564,566</u>	<u>\$511,384</u>

Village of Burr Oak - St. Joseph County
Combining Balance Sheet - Special Revenue Funds
March 31, 2006

	Major Street	Local Street	Municipal Street	Fire	Total
<u>ASSETS</u>					
Cash and Interest Bearing Deposits	\$113,273	\$29,169	\$31,860	\$68,799	\$243,101
Accounts Receivable - State	9,500	3,644	0	0	13,144
Accounts Receivable - Taxes	0	0	3,398	2,092	5,490
Other Assets	1,088	409	0	5,389	6,886
Due From Other Funds	144,874	0	22,404	14,418	181,696
Total Assets	<u>\$268,735</u>	<u>\$33,222</u>	<u>\$57,662</u>	<u>\$90,698</u>	<u>\$450,317</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$169	\$209	\$142	\$0	\$520
Due to Other Funds	0	2,256	16,692	59,865	78,813
Total Liabilities	169	2,465	16,834	59,865	79,333
Fund Equity					
Fund Balance	268,566	30,757	40,828	30,833	370,984
Total Liabilities and Fund Equity	<u>\$268,735</u>	<u>\$33,222</u>	<u>\$57,662</u>	<u>\$90,698</u>	<u>\$450,317</u>

Village of Burr Oak - St. Joseph County
Combining Statement of Revenues, Expenditures And Changes In Fund Balance
All Special Revenue Funds
For the Year Ended March 31, 2006

	Major Street	Local Street	Municipal Street	Fire	Total
Revenues					
Interest	\$2,619	\$280	\$277	\$201	\$3,377
Property Taxes	0	0	22,739	0	22,739
State Grants	51,827	19,878	0	0	71,705
Other Revenue	0	0	0	31,887	31,887
Total Revenue	54,446	20,158	23,016	32,088	129,708
Expenditures					
Public Works	46,570	24,166	22,852	0	93,588
Public Safety	0	0	0	38,371	38,371
Total Expenditures	46,570	24,166	22,852	38,371	131,959
Excess of Revenues Over (Under) Expenditures	7,876	(4,008)	164	(6,283)	(2,251)
Other Financing Sources (Uses)					
Transfers In - General Fund	0	0	0		0
Transfer Out - General Fund	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	7,876	(4,008)	164	(6,283)	(2,251)
Prior Period Adjustment	0	156	0	(3,794)	(3,638)
Fund Balance - Beginning of the Year	260,690	34,609	40,664	40,910	376,873
Fund Balance - End of the Year	<u>\$268,566</u>	<u>\$30,757</u>	<u>\$40,828</u>	<u>\$30,833</u>	<u>\$370,984</u>

Village of Burr Oak - St. Joseph County
Major Street Fund
Statement of Revenues, Expenditures And Changes In Fund Balance Compared To Budget
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual 2006</u>	<u>Over (Under) Budget</u>
Revenues			
State Shared Revenue	\$46,224	\$50,110	\$3,886
Michigan State Building Fund	1,404	1,717	313
Miscellaneous - Interest	696	2,619	1,923
Total Revenues	48,324	54,446	6,122
Expenditures			
Highway, streets and bridges, building and equipment rental	5,040	5,000	(40)
Administrative salary	3,852	2,947	(905)
Routine maintenance:			
Salaries	4,728	4,254	(474)
Operating supplies	2,004	1,716	(288)
Repairs and maintenance	26,784	20,785	(5,999)
Audit, legal, professional	600	945	345
Insurance	2,316	2,619	303
Employer's social security taxes	552	376	(176)
Utilities - Misc.	1,692	7,928	6,236
Total Expenditures	47,568	46,570	(998)
Excess of Revenues Over (Under) Expenditures	756	7,876	7,120
Other Financing Sources (Uses) Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$756</u>	<u>\$7,876</u>	<u>\$7,120</u>

Village of Burr Oak - St. Joseph County
Major Street Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2006	2005
BALANCE - BEGINNING	\$260,690	\$232,489
Add: Excess (deficiency) of revenues over over expenditures	7,876	28,201
BALANCE - ENDING	<u>\$268,566</u>	<u>\$260,690</u>

Village of Burr Oak - St. Joseph County
Local Street Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2006

	Budget	Actual 2006	Over (Under) Budget
Revenues			
Michigan State Funds	\$648	\$658	\$10
State Shared Revenue	20,004	19,220	(784)
Interest	120	280	160
Total Revenues	20,772	20,158	(614)
Expenditures			
Highway, streets and bridges, building and equipment rental	2,700	2,700	0
Administrative salary	2,640	2,469	(171)
Routine maintenance:			
Salaries and wages	3,816	3,564	(252)
Operating supplies	800	1,287	487
Repairs and maintenance	5,520	8,768	3,248
Audit, legal, professional	504	945	441
Insurance	1,692	1,751	59
Employer's social security taxes	528	461	(67)
Advertising/utilities/miscellaneous	2,176	2,221	45
Total Expenditures	20,376	24,166	3,790
Excess of Revenues Over (Under) Expenditures	396	(4,008)	(4,404)
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$396	(\$4,008)	(\$4,404)

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Local Street Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2006</u>	<u>2005</u>
BALANCE - BEGINNING	\$34,609	\$33,983
Add: Excess (deficiency) of revenues over (under) expenditures	<u>(4,008)</u>	<u>626</u>
Prior Period Adjustment	<u>156</u>	<u>0</u>
BALANCE - ENDING	<u><u>\$30,757</u></u>	<u><u>\$34,609</u></u>

Village of Burr Oak - St. Joseph County
Municipal Street Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual 2006</u>	<u>Over (Under) Budget</u>
Revenues			
Property Taxes	\$19,940	\$22,739	\$2,799
Interest and Penalties	156	277	121
Sidewalk Construction	0	0	0
Reimbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	20,096	23,016	2,920
Expenditures			
Insurance	1,176	1,385	209
Salaries and wages	6,660	6,227	(433)
Equipment rental & supplies	3,696	11,664	7,968
Audit and legal fees	648	945	297
Employer's social security taxes - miscellaneous	<u>6,876</u>	<u>2,631</u>	<u>(4,245)</u>
Total Expenditures	<u>19,056</u>	<u>22,852</u>	<u>3,796</u>
Excess of Revenues Over (Under) Expenditures	1,040	164	(876)
Other Financing Sources (Uses)			
Operating Transfers - Out	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$1,040</u>	<u>\$164</u>	<u>(\$876)</u>

Village of Burr Oak - St. Joseph County
Municipal Street Fund
Statement of Changes in Fund Balance

Years Ended March 31,	
<u>2006</u>	<u>2005</u>
BALANCE - BEGINNING	
\$40,664	\$38,859
Add: Excess (deficiency) of revenues over (under) expenditures	
<u>164</u>	<u>1,775</u>
BALANCE - ENDING	
<u>\$40,828</u>	<u>\$40,634</u>

Village of Burr Oak - St. Joseph County
Fire Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2006

	Budget	Actual 2006	Over (Under) Budget
Revenues			
Charges for Services	\$3,900	\$0	(\$3,900)
Contributions - Township & Village	49,056	31,887	(17,169)
Interest Earned - Deposits	0	201	201
Fire Truck	6,252	0	(6,252)
Total Revenues	59,208	32,088	(27,120)
Expenditures			
Administration	6,600	6,600	0
Fire Department	26,496	25,204	(1,292)
Station and building	3,612	2,415	(1,197)
New equipment	22,500	4,152	(18,348)
Total Expenditures	59,208	38,371	(20,837)
Excess of Revenues Over (Under) Expenditures	0	(6,283)	(6,283)
Other Financing Sources (Uses) Operating Transfers - In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$0	(\$6,283)	(\$6,283)

Village of Burr Oak - St. Joseph County
Fire Fund
Statement of Changes in Fund Balance

		Years Ended March 31,	
		2006	2005
BALANCE - BEGINNING		\$40,910	\$43,195
Add: Excess (deficiency) of revenues over (under) expenditures		<u>(6,283)</u>	<u>(2,285)</u>
Prior Period Adjustment		<u>(3,794)</u>	<u>0</u>
BALANCE - ENDING		<u><u>\$30,833</u></u>	<u><u>\$40,910</u></u>

Village of Burr Oak - St. Joseph County
Fire Fund
Statement of Expenditures

	Years Ended March 31,	
	2006	2005
ADMINISTRATION		
Salary - chief and assistant	\$6,000	\$3,219
Board meetings	600	310
Total Administration	6,600	3,529
 FIRE DEPARTMENT		
Salaries and wages	10,700	10,148
Audit/legal fees	1,069	1,000
Gas, oil, parking, truck	2,687	7,838
Insurance	6,076	4,855
Miscellaneous and supplies	4,672	3,325
Total Fire Department	25,204	27,166
 STATION AND BUILDING		
Heat and electricity	2,415	2,468
Repairs and maintenance	0	0
Total Station and Building	2,415	2,468
 NEW EQUIPMENT		
	4,152	4,367
Total Expenditures	<u>\$38,371</u>	<u>\$37,530</u>

Village of Burr Oak - St. Joseph County
Water Supply System
Balance Sheet
March 31, 2006

ASSETS

CURRENT ASSETS

Cash Balances:

Operating and Maintenance	\$375,791
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Prepaid Insurance	818
Water Billings Receivable	4,649
Tax Receivable	1,631
Due From Other Funds	<u>4,946</u>
Total Current Assets	12,044

FIXED ASSETS

At cost of \$1,085,660, net of accumulated depreciation of \$175,660	<u>910,100</u>
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Total Assets	<u><u>\$1,297,935</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts Payable	\$1,097
Bonds Payable	18,000
Accrued Interest Payable	11,582
Due to Other Funds	<u>121,008</u>
Total Current Liabilities	151,687

LONG TERM DEBT

Bonds Payable	<u>940,000</u>
Total Long Term Liabilities	<u>940,000</u>
Total Liabilities	1,091,687

CONTRIBUTIONS - Municipality	10,370
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RETAINED EARNINGS	<u>195,878</u>
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Total Contributions and Retained Earnings	<u>206,248</u>
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Total Liabilities, Reserves, Contributions and Retained Earnings	<u><u>\$1,297,935</u></u>
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Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Revenues and Expenses
For the Year Ended March 31, 2006

REVENUES

Water Billings	\$101,188
Interest on Investments	5,637
	<hr/>
Total Revenues	106,825

OTHER EXPENSES

Maintenance salaries	12,899
Village Officer Salaries	7,964
Payroll taxes - benefits	5,584
Office supplies and postage	658
Operating supplies	5,158
Repairs and maintenance	7,439
Professional fees	5,134
Telephone, advertising and insurance	1,393
Utilities	3,091
Interest	11,582
Miscellaneous	4,734
	<hr/>
Total Operating Expenses Before Depreciation	65,636

NET OPERATING INCOME (LOSS) BEFORE
DEPRECIATION

41,189

Less: Depreciation

(47,900)

NET OPERATING INCOME (LOSS)

(6,711)

Less non-operating expenses:

Appropriated to General Fund

0

NET EARNINGS (LOSS)

(\$6,711)

Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Changes in Retained Earnings
For the Year Ended March 31, 2006

RETAINED EARNINGS - APRIL 1, 2005	\$178,576
Additions:	
Prior Period Adjustments	24,013
Net (loss) Earnings - Current Year	<u>(6,711)</u>
RETAINED EARNINGS - MARCH 31, 2006	<u><u>\$195,878</u></u>

Village of Burr Oak - St. Joseph County
Water Fund
Statement of Cash Flows
For the Year Ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$101,323
Cash payments to suppliers for goods and services	(33,752)
Cash payments to employees for services	<u>(20,863)</u>
Net cash provided (used) by operating activities	46,708

CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES:

Payments from (to) other funds	(12,811)
Payments from bond project funds	173,950
Sale of bonds	<u>958,000</u>
Net cash provided (used) by noncapital financing activities	1,119,139

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	6,228
Investment - Equipment - Infrastructures	<u>(958,000)</u>
Net cash provided (used) by investing activities	<u>(951,772)</u>
Net (decrease) in cash and cash equivalents	214,075
Cash and cash equivalents at beginning of year	<u>161,716</u>
Cash and cash equivalents at end of year	<u><u>\$375,791</u></u>

Village of Burr Oak - St. Joseph County
Water Fund
Reconciliation of Net Income to Net Cash Flows From Operating Activities
For the Year Ended March 31, 2006

Net Income	\$41,189
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in receivables	(148)
Change in accrued expenses	(561)
Nonoperating income	<u>6,228</u>
Net cash provided (used) by operating activities	<u><u>\$46,708</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Earnings Compared to Budget
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual 2006</u>	<u>Over (Under) Budget</u>
Revenues			
Water billings	\$72,996	\$101,188	\$28,192
Interest on investments	<u>600</u>	<u>5,637</u>	<u>5,037</u>
Total Revenues	73,596	106,825	33,229
Operating Expenses			
Maintenance salaries	12,000	12,899	899
Village officer salary	8,580	7,964	(616)
Payroll taxes	1,080	5,584	4,504
Office supplies and postage	504	658	154
Operating supplies	8,496	5,158	(3,338)
Repairs and maintenance	6,996	7,439	443
Professional fees	3,480	5,134	1,654
Telephone, advertising and insurance	3,516	1,393	(2,123)
Utilities	3,204	3,091	(113)
Interest	0	11,582	11,582
Miscellaneous	<u>7,819</u>	<u>4,734</u>	<u>(3,085)</u>
Total Operating Expenses Before Depreciation	<u>55,675</u>	<u>65,636</u>	<u>9,961</u>
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	17,921	41,189	23,268
Less Depreciation	<u>0</u>	<u>(47,900)</u>	<u>(47,900)</u>
NET OPERATING INCOME (LOSS)	17,921	(6,711)	(24,632)
Less non-operating expenses:			
Appropriated to General Fund	<u>0</u>	<u>0</u>	<u>0</u>
NET EARNINGS (LOSS)	<u><u>\$17,921</u></u>	<u><u>(\$6,711)</u></u>	<u><u>(\$24,632)</u></u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Balance Sheet
March 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$338,482
Accounts receivable - customers	9,179
Due from other fund	7,848
Prepaid insurance	4,000

Total Current Assets	359,509
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FIXED ASSETS

At cost of \$3,545,795, net of accumulated depreciation of \$2,894,363	651,432
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Total Assets	\$1,010,941
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LIABILITIES

CURRENT LIABILITIES

Accounts payable - interest payable	\$3,275
Bonds payable - FHA	12,000
Due to other funds	225,505

Total Current Liabilities	240,780
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NON-CURRENT LIABILITIES

Bonds payable - FHA	687,000
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Total Liabilities	927,780
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EQUITY

Contributed capital	2,768,326
Retained earnings (Deficit)	(2,685,165)

Total Equity	83,161
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Total Liabilities and Equity	\$1,010,941
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The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Revenues and Expenses
For the Year Ended March 31, 2006

REVENUES

Interest	\$8,712
Sales	165,267
	<hr/>
Total Revenues	173,979

OPERATING EXPENSES

Maintenance wages	12,341
Administrative salaries	7,964
Payroll taxes - benefits	4,278
Supplies and postage	715
Interest	36,890
Repairs/maintenance/supplies	8,578
Professional fees	9,255
Telephone/insurance	6,798
Utilities/treatment	69,391
Miscellaneous-Capital outlay	6,038
	<hr/>
Total Operating Expenses Before Depreciation	162,248

NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	11,731
Less: Depreciation	(212,783)
	<hr/>
NET OPERATING INCOME (LOSS)	(201,052)
Less non-operating expenses:	
Appropriated to General Fund	0
	<hr/>
NET EARNINGS (LOSS)	<u>(\$201,052)</u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Changes in Retained Earnings
March 31, 2006

RETAINED EARNINGS - APRIL 1, 2005	(\$2,484,113)
Current Net Income (Loss)	<u>(201,052)</u>
RETAINED EARNINGS - MARCH 31, 2006	<u><u>(\$2,685,165)</u></u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Cash Flows
For the Year Ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$166,777
Cash payments for goods and services	(142,507)
Cash payments to employees for services	<u>(20,305)</u>
Net cash provided (used) by operating activities	3,965

CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:

Net payments from (to) other funds	(34,036)
Payment - bonds	<u>(11,000)</u>
Net cash provided (used) by capital and related financing activities	(45,036)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>8,712</u>
Net cash provided (used) by investing activities	<u>8,712</u>
Net increase (decrease) in cash and cash equivalents	(32,359)
Cash and cash equivalents at beginning of year	<u>370,841</u>
Cash and cash equivalents at end of year	<u><u>\$338,482</u></u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Reconciliation of Net Income to Net Cash Flows From Operating Activities
For the Year Ended March 31, 2006

Net Income (Loss)	(\$201,052)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	212,783
Change in accounts payable/accrued expenses	(564)
Nonoperating (income)	(8,712)
Change in accounts receivable	<u>1,510</u>
Net cash provided (used) by operating activities	<u><u>\$3,965</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Bonded Indebtedness
For the Year Ended March 31, 2006

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	87,000
Bonds due and paid on September 1, 2005	<u>11,000</u>
Balance outstanding - March 31, 2006	<u><u>\$699,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2006	12,000	2019	23,000
2007	12,000	2020	24,000
2008	13,000	2021	25,000
2009	14,000	2022	27,000
2010	14,000	2023	28,000
2011	15,000	2024	30,000
2012	16,000	2025	31,000
2013	17,000	2026	33,000
2014	18,000	2027	35,000
2015	19,000	2028	36,000
2016	20,000	2029	37,000
2017	21,000	2030	39,000
2018	22,000	2031	39,000
		2032	39,000
		2033	<u>40,000</u>
			<u><u>\$699,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2005, accrued interest to the date fixed for prepayment.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Earnings Compared to Budget
For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual 2006</u>	<u>Over (Under) Budget</u>
Revenues			
Sewer lead in/miscellaneous	\$0	\$0	\$0
Interest	1,200	8,712	7,512
Sales	<u>168,216</u>	<u>165,267</u>	<u>(2,949)</u>
Total Revenues	169,416	173,979	4,563
Operating Expenses			
Maintenance wages	10,104	12,341	2,237
Administrative salaries	8,580	7,964	(616)
Payroll taxes - benefits	3,064	4,278	1,214
Supplies and postage	804	715	(89)
Interest	37,200	36,890	(310)
Repairs/maintenance/supplies	1,500	8,578	7,078
Professional fees	6,000	9,255	3,255
Telephone/insurance	7,140	6,798	(342)
Utilities/treatment	59,916	69,391	9,475
Miscellaneous - Capital outlay	<u>32,300</u>	<u>6,038</u>	<u>(26,262)</u>
Total Operating Expenses Before Depreciation	<u>166,608</u>	<u>162,248</u>	<u>(4,360)</u>
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,808	11,731	8,923
Less Depreciation	<u>(212,783)</u>	<u>(212,783)</u>	<u>0</u>
NET OPERATING INCOME (LOSS)	(209,975)	(201,052)	8,923
Less non-operating expenses:			
Appropriated to General Fund	<u>0</u>	<u>0</u>	<u>0</u>
NET EARNINGS (LOSS)	<u><u>(\$209,975)</u></u>	<u><u>(\$201,052)</u></u>	<u><u>\$8,923</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County

General Fixed Assets Account Group

	Years Ended March 31,	
	2006	2005
ASSETS		
Land	\$16,800	\$16,800
Land improvements	8,208	8,208
Buildings and accessories	103,267	103,267
Machinery and equipment	511,030	501,884
Total Assets	<u>\$639,305</u>	<u>\$630,159</u>
INVESTMENT IN GENERAL FIXED ASSETS	<u>\$639,305</u>	<u>\$630,159</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Burr Oak Board
Burr Oak, Michigan

We have audited the general purpose financial statements of the Village of Burr Oak, as of and for the year ended March 31, 2006, and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Burr Oak's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

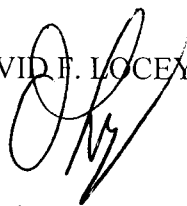
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Burr Oak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in black ink, appearing to read 'D. Locsey', is written over the printed name.

Sturgis, Michigan
July 27, 2006

(269)-651-4225 Phone
(269)-651-1989 Fax

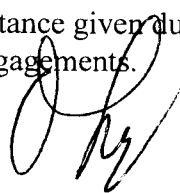
COMMENTS AND RECOMMENDATIONS

To the Village of Burr Oak
Burr Oak, Michigan

We appreciated the opportunity of examining the records for the Village of Burr Oak for the year ended March 31, 2006. In the process of the examination we came across the following findings or recommendations which we feel need to be reviewed:

1. We will provide you with the March 31, 2006 audit adjustments, these need to be posted immediately so that the balances you are looking at on a monthly basis are correctly stated in each of the funds.
2. Review the various funds to see where possibly you can consolidate certificates of deposit into one fund.
3. Receiving a simplified monthly report for use by the board would be helpful in understanding current financial position and budget controls.
4. Overall, the condition of the records was much improved over the 2005 year end.

The assistance given during the last audit was very much appreciated and we look forward to future engagements.



DAVID F. LOCEY, C.P.A., P.C.
July 27, 2006